Saskatchewan Transportation Company

First Quarter Report 2015

For the quarter ending March 31, 2015

2015 1st Quarter Corporate Reporting

1. Management Discussion and Analysis

Passenger Services
Express Services
Maintenance Services
Financial Summary

2. Quarterly Financial Statements

Statement of Financial Position
Statement of Comprehensive Loss
Statement of Changes in Equity
Statement of Cash Flows
Notes to Financial Statements

3. Link to STC 2014 Annual Report

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) provides insight into the Saskatchewan Transportation Company's (STC) operations in the first quarter of 2015. From a management perspective, it highlights the primary factors that impacted our operations and the financial results of the Company over the past three months.

This MD&A compares the operational outcomes of the first quarter of 2015 to the corresponding quarter in the previous year (first quarter of 2014) and to the anticipated financial position of the Company over the full year. It also discusses any emerging issues that will have an impact on the Company's fiscal position.

Passenger Services:

In the first quarter of 2015, STC coaches travelled approximately 721,000 miles, serving 253 Saskatchewan communities.

Revenues from passenger operations in this quarter were $1,773,000 down from $1,876,000 in revenues reported in the first quarter of 2014. Expenses associated with operating passenger services were $3,909,000 down from the 2014 figure of $4,036,000 largely due to a decrease in fuel prices in the first quarter of 2015.

Operating losses for passenger services in the quarter were $2,136,000, compared to a loss of $2,160,000 in the first quarter of 2014.

Total ridership for the first quarter of 2015 was 54,596, compared to 63,731 in the same period of 2014, a decrease of approximately 14.33%. STC did not offer any promotions in the first quarter of 2015 due to financial constraints that eliminated advertising promotions in 2015.

STC last implemented a 4.5% passenger fare increase effective March 2, 2015.

Express Services:

Through its network of 175 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the first quarter of 2015, revenues from express operations were $1,572,000, down from the revenues of $1,647,000 reported in the first quarter of 2014. Expenses associated with operating express services in the first quarter of 2015 were $1,452,000, slightly up from the 2014 first quarter figure of $1,436,000. Advertising for express services in 2015 has been eliminated due to financial constraints.

Profits realized for express operations in the first quarter were $120,000, compared to a profit of $211,000 in the first quarter of 2014.

STC last implemented an express rate increase effective February 2, 2015.

Maintenance Services:

STC operates two Maintenance Facilities, one in Saskatoon for major bus maintenance, and one in Regina for more routine servicing.

In the first quarter of 2015, expenses associated with maintaining the Company's fleet (included in passenger and express services above) were $1,012,000, an increase compared to $974,000 in the first quarter of 2014.

The Company also uses these facilities to perform maintenance work for other transportation companies. The revenues derived from this service in the first quarter of 2015 were $97,000 compared to $129,000 in the first quarter of 2014. The decrease in revenue is due to a decrease in fuel prices being charged to

maintenance customers. Expenses associated with such work were $54,000 in the first quarter of 2015 compared to $79,000 in the first quarter of 2014.

Financial Summary:

Overall, STC's revenues for the first quarter of 2015 amounted to $3,589,000, compared to $3,803,000 in the first quarter of 2014. Expenses for the first quarter were $7,217,000, compared to $7,371,000 for 2014. The Company's loss before grants for the quarter was $3,628,000, compared to $3,568,000 in the first quarter of 2014.

STC has been approved for an operating grant of $10.3 million from its holding company, the Crown Investments Corporation (CIC) of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the Company will require the full amount of grant funding.

In the first quarter of 2015, STC drew down $2.0 million of the operating grant funds available from CIC. STC utilized its operating line of credit in the first quarter of 2015. The $500 thousand is currently outstanding as of the end of the quarter.

At the end of this quarter, the Province of Saskatchewan's equity in STC was $5,651,000 compared to $6,775,000 in the first quarter of 2014.

Saskatchewan Transportation Company
Statement of Financial Position
(unaudited)

	(Thousands of Dollars) As at March 31, 2015	As at December 31, 2014
Assets		
Current		
Cash	$ 1,392	$ 1,855
Accounts receivable	893	1,311
Inventories	323	325
Prepaid expenses	537	534
Assets held for sale	6	6
	3,151	4,031
Non-current		
Property and equipment	35,971	36,070
	$ 39,122	**$ 40,101**
Liabilities and Province's Equity		
Liabilities		
Current		
Trade and other payables	$ 3,188	$ 3,039
Non-current		
Deferred capital grant	30,283	30,469
	33,471	33,508
Province of Saskatchewan's Equity		
Contributed surplus	465	465
Retained earnings	5,186	6,128
	5,651	6,593
	$ 39,122	**$ 40,101**

See accompanying notes

Saskatchewan Transportation Company
Statement of Comprehensive Loss
(unaudited)

	Three months ended March 31 (Thousands of Dollars)	
	2015	**2014**
Revenue		
Express services	$ 1,572	$ 1,647
Passenger services	1,773	1,876
Other	243	281
Gain/(Loss) on disposal of property and equipment	1	(1)
	3,589	3,803
Expenses		
Operating costs other than those listed below	2,370	2,595
Salaries, wages and short-term employee benefits	4,102	3,974
Depreciation	745	802
	7,217	7,371
Loss before the following	(3,628)	(3,568)
Operating grant	2,000	2,600
Capital grant	686	732
Total comprehensive loss	**$ (942)**	**$ (236)**

See accompanying notes

Saskatchewan Transportation Company
Statement of Changes in Equity
(unaudited)

(Thousands of Dollars)

	Attributable to the Province of Saskatchewan		
	Retained Earnings	**Contributed Surplus**	**Total Equity**
Balance at December 31, 2013	$ 6,546	$ 465	$ 7,011
Total comprehensive loss	(236)	-	(236)
Balance at March 31, 2014	6,310	465	6,775
Balance at April 1, 2014	$ 6,310	$ 465	$ 6,775
Total comprehensive loss	(182)	-	(182)
Balance at December 31, 2014	6,128	465	6,593
Balance at December 31, 2014	**6,128**	**465**	**6,593**
Total comprehensive loss	**(942)**	-	**(942)**
Balance at March 31, 2015	**$ 5,186**	**$ 465**	**$ 5,651**

See accompanying notes

Saskatchewan Transportation Company
Statement of Cash Flows
(unaudited)

	Three months ended March 31 (Thousands of Dollars) 2015	2014
Operating Activities		
Total comprehensive loss	$ (942)	$ (236)
Items not involving cash:		
Depreciation	745	802
(Gain)/Loss on disposal of property and equipment	(1)	1
Recognition of capital grant	(686)	(732)
Net change in non-cash working capital	66	11
Cash used in operating activities	(818)	(154)
Investing Activities		
Additions to property and equipment	(646)	(389)
Proceeds on disposal of property and equipment	1	-
Cash used in investing activities	(645)	(389)
Financing Activities		
Capital grant received	500	500
Operating demand loan	500	-
Repayment of operating demand loan	-	-
Cash provided by financing activities	1,000	500
Decrease in cash	(463)	(43)
Cash, beginning of year	1,855	1,642
Cash, end of period	**$ 1,392**	**$ 1,599**

See accompanying notes

Saskatchewan Transportation Company
Notes to Condensed Financial Statements
For the period-ended March 31, 2015

1. Status of Saskatchewan Transportation Company

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

The results included in these condensed interim financial statements should not be taken as indicative of the performance to be expected for a full year due to the seasonal nature of corporate operations.

2. Basis of preparation

a. Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. These interim results do not include all the information required for full annual financial statements and should be read in conjunction with STC's audited annual financial statements for the year-ended December 31, 2014.

The condensed interim financial statements were authorized for issue by STC's Board of Directors on April 30, 2015.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on historical usage.

3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those applied in STC's audited annual financial statements for the year-ended December 31, 2014.